



**Schedule  
IT-40 NOL**  
(Rev. 11-97)

Indiana Department of Revenue  
**Individual Income Tax**  
**Net Operating Loss Computation**  
(See instructions on the reverse of this schedule)

Taxpayer's Name	Social Security Number
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**Part I - Election to Forgo the Three-Year Carryback of a Net Operating Loss**

Has an election to forgo the three-year carryback period been made for the tax year entered in Part II for federal tax purposes? Yes ☐ No ☐

**Part II - Computation of the Indiana Loss** - Make all applicable adjustments as listed. Unless line 10 indicates a (loss), you have not incurred a deductible Indiana net operating loss. Enter loss, if any, as a positive figure in the box and on Part III. **Note:** A separate IT-40NOL Schedule must be completed for each loss year. Attach copy of the federal return to the Indiana loss year return.

<b>Loss year ending:</b> 19_____	<b>Net operating loss from line 10 below:</b>
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**Indiana Individual Income Tax Adjustments to Loss Year**

1. Enter the total Indiana income or (loss) from line 5 of the Form IT-40 or line 1 of the Form IT-40PNR .....	<b>1</b>	
<b>Add the Following Adjustments:</b>		
2. Any capital losses in excess of capital gains included in adjusted gross income attributed to Indiana .....	<b>2</b>	
3. Any federal nonbusiness deductions (IRA, Keogh plan, health insurance, penalty of premature savings withdrawal, alimony paid) <b>in excess</b> of Indiana nonbusiness income (interest, dividends, alimony, annuities, pensions, unemployment compensation) claimed on the Indiana return .....	<b>3</b>	
4. Total lines 1, 2, and 3 .....	<b>4</b>	
<b>Subtract the Following Indiana Modifications:</b>		
5. Interest on U.S. Government obligations but only to the extent of the remainder of Indiana nonbusiness income ...	<b>5</b>	
6. Non-Indiana locality earnings deduction .....	<b>6</b>	
7. Taxable social security and/or railroad retirement benefits .....	<b>7</b>	
8. Recovery of itemized deductions .....	<b>8</b>	
9. Total lines 5 through 8 .....	<b>9</b>	
10. Indiana Net Operating Loss to be carried back/forward (Subtract line 9 from line 4). Carry applicable amount of line 10 loss to Part III, Column (3). Read instructions .....	<b>10</b>	

**Part III - Record of Utilization of Net Operating Loss Deduction for Indiana**

(1) Carried to Tax Year:	(2) Indiana Adjusted Gross Income (before exemptions and computation of the current net operating loss deduction)	(3) Amount of Net Operating Loss Carried Back/Forward (Enter on deduction schedule on your current year return.)	(4) Indiana Adjusted Gross Income <i>including</i> this NOL Deduction (before exemptions of the current year)	(5) Remaining Unused Net Operating Loss (available for following years)
3rd Preceding Tax Year 19____				
2nd Preceding Tax Year 19____				
1st Preceding Tax Year 19____				
1st Following Tax Year 19____				
2nd Following Tax Year 19____				
3rd Following Tax Year 19____				
4th Following Tax Year 19____				
5th Following Tax Year 19____				
6th Following Tax Year 19____				
7th Following Tax Year 19____				
8th Following Tax Year 19____				
9th Following Tax Year 19____				
10th Following Tax Year 19____				
11th Following Tax Year 19____				
12th Following Tax Year 19____				
13th Following Tax Year 19____				
14th Following Tax Year 19____				
15th Following Tax Year 19____				

# Instructions for Completing Schedule IT-40NOL

## Who Should File

All individual taxpayers must complete and attach this schedule to the Indiana income tax return: IT-40, IT-40P, IT-40PNR, IT-40X or the IT-41, if they want to claim a net operating loss deduction. The Schedule IT-40NOL is not in itself a claim for refund, but an attachment to show how the net operating loss deduction is applied.

## When To File

A NOL carry back must be claimed within three (3) years from the original due date (plus any extensions) of the loss year return. Example: a 1994 loss year return was filed (under extensions) on June 15, 1995. A refund claimed for the year 1991, due to the 1994 NOL carryback, must be filed no later than June 15, 1998. Net operating loss carryforward deductions fall within regular statutory requirements.

## Part I - Election to Forgo the Three-Year Carryback of a Net Operating Loss

Pursuant to the Internal Revenue Code a taxpayer may elect to forgo the entire carryback period. If this election is made, the loss may be carried forward only. A taxpayer must irrevocably elect, by the loss year's due date (including extensions) the **same** carryback or carryforward treatment for Indiana tax purposes as elected for federal tax purposes. This election is reflected on Indiana Schedule IT-40NOL. If a taxpayer has no federal net operating loss, a statement must be attached to the Indiana loss year return when electing to forgo the provision to carryback.

## Part II - Computation of Indiana Net Operating Loss

For tax years beginning after December 31, 1986, all net operating loss computations must comply with the method of computation as outlined in this schedule. Carryovers from prior loss years must be adjusted to comply with current policy. The amount of loss so determined may then be used as a deduction for Indiana net taxable income. The Indiana net operating loss must be used in the same manner as provided under Section 172 of the Internal Revenue Code. If an election to forgo the carryback period was made at the time of filing the loss year return, the loss may be carried forward for a period up to fifteen (15) years. If no election was made, the loss must first be carried back to the third (3rd) preceding year and then any unused portion must be carried back to the second (2nd) preceding year, etc.

## Individual Income Tax Adjustments To Loss Year

**Line 1** - Enter your total income (loss) from line 5, Form IT-40, or line 1, Form IT-40PNR. **Note:** The following adjustments: (a) Tax add back from federal Schedules C, E, and F; (b) Net operating loss add back from federal Form 1040 line 22; and (c) Ordinary income portion of lump sum distribution, should already be included in this amount.

## Adjustments required by I.R.C. Section 172

**Line 2** - Add back any capital losses in excess of capital gains reported for Indiana adjusted gross income.

**Line 3** - Add back any federal adjustments to income, classified as nonbusiness deductions, attributable to Indiana (examples: IRA, Keogh plans, health insurance, penalty for premature savings withdrawal and alimony paid) that are **in excess** of the nonbusiness income (examples: interest, dividends, alimony, annuities, pensions and unemployment) claimed on the Indiana return.

**Line 4** - Subtotal - add lines 1, 2, and 3.

**Lines 5 - 9** - Indiana modifications are required by I.C. 6-3-1-3.5(a)

## Part III - Utilization of Net Operating Loss Deduction

It is important that a Schedule IT-40NOL be completed for each year in which a loss occurs. Copies of the schedule should be attached to returns for all years on which the loss deduction is claimed. If more than one year is being utilized, a separate Schedule IT-40NOL should be completed.

**Column 1 - Tax Years** - Enter in Column 1 the applicable tax year ending date(s) to which the loss is being carried. An entry should be made on each line. If, in one or more of these years, a loss was incurred or the Indiana adjusted gross income was previously reduced to zero (0) by another loss carryover, the year must still be entered and all five (5) columns completed.

**Column 2 - Indiana Adjusted Gross Income** - Enter the Indiana adjusted gross income, before exemptions, from the original return, or as previously adjusted. If previously adjusted due to another net operating loss deduction, a copy of the Schedule IT-40NOL for the prior loss year should be attached. If previously adjusted from an audit or amended return, an explanation should be attached to Schedule IT-40NOL explaining how the adjusted gross income figure was computed.

**Column 3 - Amount of Net Operating Loss Deductions** - If the loss from Part II, or the carryover loss in Column 5 of the previous year is less than the adjusted gross income for the year (Column 2), enter the full amount of the available loss. If the available loss is greater than the amount in Column 2 for the year, enter that portion of the available loss needed to decrease the adjusted gross income to zero for Column 4. Any remaining unused loss should be shown in Column 5 for the next carryover year.

It is important to carry the proper amount from Column 3 to the Indiana deductions schedule of your current year Indiana tax return.

**Column 4 - Indiana Adjusted Gross Income** - Subtract the amount in Column 3 from the amount in Column 2 for the same year. This is the amount of net adjusted gross income after the Indiana net operating loss deduction has been applied. This entry should not be less than zero. Exemptions are subtracted on the income return to arrive at taxable income, if any.

**Column 5 - Remaining Unused Net Operating Loss** - Enter the amount of net operating loss remaining, if any, after each year's calculation. This amount is also the available net operating loss for Column 3 of the following year.

Attach the completed Schedule IT-40NOL to the return(s) on which a net operating loss deduction is claimed.

If you have any questions concerning Indiana's treatment of a net operating loss, contact the Indiana Department of Revenue, Indiana Government Center North, 100 N. Senate Ave., Indianapolis, IN 46204-2253.